

A-H-S-T COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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A-H-S-T Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
John Pattee	President	2008
Mark Schroder	Vice President	2008
Gene McCool	Board Member	2007
Monte Riesgaard	Board Member	2007
Darlene McMartin	Board Member	2008
Greg Becker	Board Member	2009
Laurie Fell	Board Member	2009
Board of Education		
(After September 2007 Election)		
John Pattee	President	2008
Mark Schroder	Vice President	2008
Darlene McMartin	Board Member	2008
Greg Becker	Board Member	2009
Laurie Fell	Board Member	2009
Monte Riesgaard	Board Member	2010
Allen Cordes	Board Member	2010
School Officials		
Mike Alexander	Superintendent	2008
Nancy Collins	District Secretary/Treasurer and Business Manager	2008
Brian Gruhn	Attorney	2008
Hanson, Sulhoff & Larson	Attorney	2008

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
A-H-S-T Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the A-H-S-T Community School District, Avoca, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the A-H-S-T Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2009 on our consideration of the A-H-S-T Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

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inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise A-H-S-T Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

A-H-S-T Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,573,117 in fiscal 2007 to \$5,994,377 in fiscal 2008, while General Fund expenditures increased from \$5,466,084 in fiscal 2007 to \$5,570,400 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$355,976 in fiscal 2007 to a balance of \$779,953 in fiscal 2008, a 119.10% increase from the prior year.
- The increase in General Fund revenues was attributable primarily to increases in local tax and state revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in facilities acquisition expenditures. As a result, the District will increase in the amount of carryover fund balance to be used to fund future expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of A-H-S-T Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report A-H-S-T Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which A-H-S-T Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
A-H-S-T Community School District Annual Financial Report

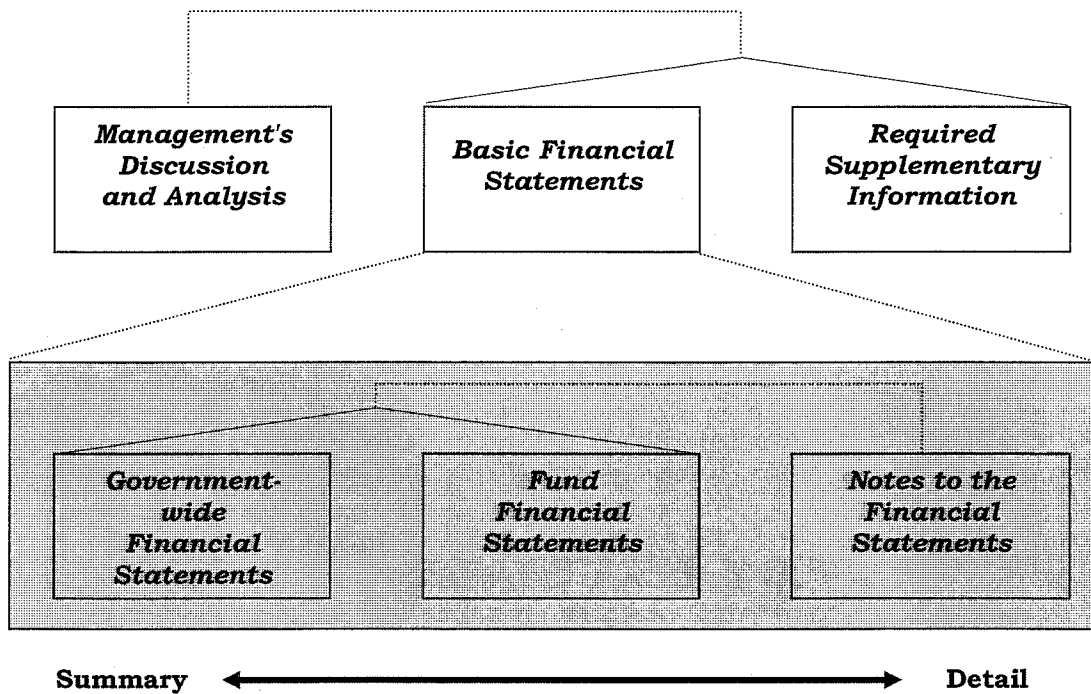


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Child Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 12,236,238	5,241,643	92,292	74,837	12,328,530	5,316,480	131.89%
Capital assets	3,388,170	1,954,093	47,828	51,578	3,435,998	2,005,671	71.31%
Total assets	15,624,408	7,195,736	140,120	126,415	15,764,528	7,322,151	115.30%
Long-term obligations	7,074,093	179,959	0	0	7,074,093	179,959	3830.95%
Other liabilities	4,359,146	3,710,662	3,137	3,941	4,362,283	3,714,603	17.44%
Total liabilities	11,433,239	3,890,621	3,137	3,941	11,436,376	3,894,562	193.65%
Net assets:							
Invested in capital assets, net of related debt	2,337,342	1,891,064	47,828	51,578	2,385,170	1,942,642	22.78%
Restricted	1,085,337	922,472	0	0	1,085,337	922,472	17.66%
Unrestricted	768,490	491,579	89,155	70,896	857,645	562,475	52.48%
Total net assets	\$ 4,191,169	3,305,115	136,983	122,474	4,328,152	3,427,589	26.27%

The District's combined net assets increased by \$900,563, or 26.27% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$162,865, or 17.66%. This increase was due primarily to the increase in the Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$295,170, or 52.48%. This increase was due to the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 346,153	246,443	135,371	120,542	481,524	366,985	31.21%
Operating grants and contributions and restricted interest	862,481	748,604	104,262	94,760	966,743	843,364	14.63%
General revenues:							
Property tax	2,194,249	1,915,491	0	0	2,194,249	1,915,491	14.55%
Income surtax	129,119	255,565	0	0	129,119	255,565	-49.48%
Local option sales and service tax	465,260	472,351	0	0	465,260	472,351	-1.50%
Unrestricted state grants	2,695,733	2,659,244	0	0	2,695,733	2,659,244	1.37%
Other	344,241	118,518	0	0	344,241	118,518	190.45%
Transfers	0	0	0	12,445	0	12,445	-100.00%
Total revenues and transfers	7,037,236	6,416,216	239,633	227,747	7,276,869	6,643,963	9.53%
Program expenses:							
Governmental activities:							
Instruction	4,100,232	4,027,367	0	0	4,100,232	4,027,367	1.81%
Support services	1,638,345	1,541,746	2,471	3,026	1,640,816	1,544,772	6.22%
Non-instructional programs	0	0	222,653	190,915	222,653	190,915	16.62%
Other expenses	412,605	256,030	0	0	412,605	256,030	61.15%
Total expenses	6,151,182	5,825,143	225,124	193,941	6,376,306	6,019,084	5.93%
Change in net assets	886,054	591,073	14,509	33,806	900,563	624,879	-44.12%
Net assets beginning of year	3,305,115	2,714,042	122,474	88,668	3,427,589	2,802,710	22.30%
Net assets end of year	\$ 4,191,169	3,305,115	136,983	122,474	4,328,152	3,427,589	26.27%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 77.93% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$7.28 million of which \$7.04 million was for governmental activities and \$0.24 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.53% increase in revenues and a 5.93% increase in expenses. The increase in expenses related primarily to an increase in facilities acquisitions expenditures.

Governmental Activities

Revenues for governmental activities were \$7,037,236 and expenses were \$6,151,182. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,100,232	4,027,367	1.81%	3,115,027	3,244,873	-4.00%
Support services	1,638,345	1,541,746	6.27%	1,638,345	1,541,746	6.27%
Other expenses	412,605	256,030	61.15%	189,176	43,477	335.12%
Totals	\$ 6,151,182	5,825,143	5.60%	4,942,548	4,830,096	2.33%

- The cost financed by users of the District's programs was \$346,153.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$862,481.
- The net cost of governmental activities was financed with \$2,194,249 in property tax, \$129,119 in income surtax, \$465,260 in local option sales and services tax, \$2,695,733 in unrestricted state grants, \$199,962 in interest income and \$144,279 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$239,633 and expenses were \$225,124. The District's business-type activity is the School Nutrition Fund and the Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the A-H-S-T Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,844,501, above last year's ending fund balances of a \$1,329,793.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in tax levy during the year resulted in an increase in tax revenues. The District had budget reductions during the year to avoid exceeding spending authority. The total expenditures were less than the total revenues, ensuring the increase of the District's financial position.
- The Capital Projects fund balance increased from \$603,504 in 2007, to \$6,538,733 in 2008 due to the issuance of general obligation bonds and revenue bonds.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$122,474 at June 30, 2007 to \$137,480 at June 30, 2008, representing an increase of 12.25%.

The District opened a child care facility during fiscal 2008. For the year ended June 30, 2008, the fund ended with a deficit balance of \$497.

BUDGETARY HIGHLIGHTS

The District's revenues were \$415,232 more than budgeted revenues, a variance of 6.02%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Unfortunately during the year ended June 30, 2008, expenditures in the other expenditures function exceeded the amounts budgeted without sufficient time available to amend the budget. The District also exceeded the total expenditures amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,435,998, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 71.31% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$143,803.

The original cost of the District's capital assets was \$6,785,174. Governmental funds account for \$6,577,014 with the remainder of \$208,160 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's construction in progress totaled \$544,135 at June 30, 2008, compared to \$3,326 reported at June 30, 2007. This increase resulted from improvements on the baseball and softball field.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 150,113	150,113	0	0	150,113	150,113	0.00%
Construction in progress	1,383,393	630,972	0	0	1,383,393	630,972	119.25%
Buildings	907,894	769,826	0	0	907,894	769,826	17.93%
Land improvements	544,135	3,326	0	0	544,135	3,326	16260.04%
Machinery and equipment	402,635	399,856	47,828	51,578	450,463	451,434	-0.22%
Total	\$ 3,388,170	1,954,093	47,828	51,578	3,435,998	2,005,671	71.31%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$7,074,093 in other long-term debt outstanding. This represents an increase of 3830.95% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$5,420,000 at June 30, 2008.

The District also had outstanding revenue bonds of \$1,575,000 at June 30, 2008.

The District had outstanding early retirement payable from the General and Special Revenue, Management Funds of \$79,093 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 5,420,000	0	100.00%
Revenue bonds	1,575,000	0	100.00%
Bus loan payable	0	63,029	-100.00%
Early retirement	79,093	116,930	-32.36%
Total	<u>\$ 7,074,093</u>	<u>179,959</u>	<u>3830.95%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The increases in utility and transportation costs are still a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Collins, District Board Secretary, A-H-S-T Community School District, P.O. Box 158, Avoca, Iowa, 51521.

BASIC FINANCIAL STATEMENTS

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 719,819	0	719,819
Other	8,287,244	88,590	8,375,834
Receivables:			
Property tax:			
Delinquent	29,334	0	29,334
Succeeding year	2,773,218	0	2,773,218
Income surtax	160,950	0	160,950
Interfund	6,000	0	6,000
Accounts	14,780	0	14,780
Accrued ISCAP interest(Note 5)	273	0	273
Due from other governments	244,620	2,280	246,900
Inventories	0	1,422	1,422
Capital assets, net of accumulated depreciation(Note 6)	3,388,170	47,828	3,435,998
TOTAL ASSETS	15,624,408	140,120	15,764,528
LIABILITIES			
Accounts payable	330,721	193	330,914
Salaries and benefits payable	396,392	0	396,392
Accrued interest payable	128,359	0	128,359
ISCAP warrants payable(Note 5)	714,000	0	714,000
ISCAP accrued interest payable(Note 5)	210	0	210
ISCAP premiums payable	12,245	0	12,245
Deferred revenue:			
Succeeding year property tax	2,773,218	0	2,773,218
Other	4,001	0	4,001
Unearned revenue	0	2,944	2,944
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	80,000	0	80,000
Early retirement	24,793	0	24,793
Portion due after one year:			
General obligation bonds	5,340,000	0	5,340,000
Revenue bonds	1,575,000	0	1,575,000
Early retirement	54,300	0	54,300
TOTAL LIABILITIES	11,433,239	3,137	11,436,376
NET ASSETS			
Invested in capital assets, net of related debt	2,337,342	47,828	2,385,170
Restricted for:			
Talented and gifted	33,428	0	33,428
Salary improvement program	335	0	335
Professional development	2,459	0	2,459
Market factor	3,301	0	3,301
Market factor incentives	4,531	0	4,531
Capital projects	594,561	0	594,561
Debt service	158,554	0	158,554
Management levy	98,841	0	98,841
Physical plant and equipment levy	141,630	0	141,630
Other special revenue purposes	47,697	0	47,697
Unrestricted	768,490	89,155	857,645
TOTAL NET ASSETS	\$ 4,191,169	136,983	4,328,152

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Govern- mental Activities	Business- Type Activities	Total
		for Services	and Restricted Interest			
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,741,434	115,558	602,448	(2,023,428)	0	(2,023,428)
Special instruction	579,189	46,775	36,604	(495,810)	0	(495,810)
Other instruction	779,609	183,820	0	(595,789)	0	(595,789)
	4,100,232	346,153	639,052	(3,115,027)	0	(3,115,027)
Support services:						
Student services	45,401	0	0	(45,401)	0	(45,401)
Instructional staff services	93,585	0	0	(93,585)	0	(93,585)
Administration services	730,206	0	0	(730,206)	0	(730,206)
Operation and maintenance of plant service	420,009	0	0	(420,009)	0	(420,009)
Transportation services	349,144	0	0	(349,144)	0	(349,144)
	1,638,345	0	0	(1,638,345)	0	(1,638,345)
Other expenditures:						
Long-term debt interest	130,907	0	0	(130,907)	0	(130,907)
AEA flowthrough	223,429	0	223,429	0	0	0
Depreciation(unallocated) *	58,269	0	0	(58,269)	0	(58,269)
	412,605	0	223,429	(189,176)	0	(189,176)
Total governmental activities	6,151,182	346,153	862,481	(4,942,548)	0	(4,942,548)
Business-Type activities:						
Support services:						
Administration services	21	0	0	0	(21)	(21)
Operation and maintenance of plant services	2,450	0	0	0	(2,450)	(2,450)
	2,471	0	0	0	(2,471)	(2,471)
Non-instructional programs:						
Nutrition services	207,912	123,835	101,554	0	17,477	17,477
Child care	14,741	11,536	2,708	0	(497)	(497)
	222,653	135,371	104,262	0	16,980	16,980
Total business-type activities	225,124	135,371	104,262	0	14,509	14,509
Total	\$ 6,376,306	481,524	966,743	(4,942,548)	14,509	(4,928,039)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,135,724	0	2,135,724
Capital outlay				58,525	0	58,525
Income surtax				129,119	0	129,119
Local option sales and service tax				465,260	0	465,260
Unrestricted state grants				2,695,733	0	2,695,733
Unrestricted investment earnings				199,962	0	199,962
Other general revenues				144,279	0	144,279
Total general revenues				5,828,602	0	5,828,602
Changes in net assets				886,054	14,509	900,563
Net assets beginning of year				3,305,115	122,474	3,427,589
Net assets end of year				\$ 4,191,169	136,983	4,328,152

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 719,819	0	0	719,819
Other	1,244,275	6,583,096	459,873	8,287,244
Receivables:				
Property tax:				
Delinquent	26,489	0	2,845	29,334
Succeeding year	2,101,583	0	671,635	2,773,218
Income surtax	160,950	0	0	160,950
Interfund	6,000	0	63,029	69,029
Accounts	4,995	8,535	1,250	14,780
ISCAP accrued interest(Note 5)	273	0	0	273
Due from other governments	133,272	111,348	0	244,620
TOTAL ASSETS	\$ 4,397,656	6,702,979	1,198,632	12,299,267
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 63,029	0	0	63,029
Accounts payable	165,293	164,246	1,182	330,721
Salaries and benefits payable	396,392	0	0	396,392
ISCAP warrants payable(Note 5)	714,000	0	0	714,000
ISCAP accrued interest payable(Note 5)	210	0	0	210
ISCAP premiums payable	12,245	0	0	12,245
Deferred revenue:				
Succeeding year property tax	2,101,583	0	671,635	2,773,218
Income surtax	160,950	0	0	160,950
Other	4,001	0	0	4,001
Total liabilities	3,617,703	164,246	672,817	4,454,766
Fund balances:				
Reserved for:				
Capital facility construction	0	5,944,172	0	5,944,172
Debt service	0	0	158,554	158,554
Talented and gifted	33,428	0	0	33,428
Salary improvement program	335	0	0	335
Professional development	2,459	0	0	2,459
Market factor	3,301	0	0	3,301
Market factor incentives	4,531	0	0	4,531
Unreserved:				
Undesignated	735,899	594,561	367,261	1,697,721
Total fund balances	779,953	6,538,733	525,815	7,844,501
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,397,656	6,702,979	1,198,632	12,299,267

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds(page 15)	\$ 7,844,501
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,388,170
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(128,359)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	160,950
Long-term liabilities, including general obligation bonds payable, revenue bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,074,093)</u>
Net assets of governmental activities(page 13)	<u><u>\$ 4,191,169</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,155,325	465,260	208,281	2,828,866
Tuition	141,541	0	0	141,541
Other	139,297	219,566	189,990	548,853
Intermediate sources	106,027	0	0	106,027
State sources	3,285,084	0	0	3,285,084
Federal sources	167,103	0	0	167,103
Total revenues	5,994,377	684,826	398,271	7,077,474
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,738,529	0	26,171	2,764,700
Special instruction	579,189	0	0	579,189
Other instruction	604,305	0	173,736	778,041
	3,922,023	0	199,907	4,121,930
Support services:				
Student services	45,401	0	0	45,401
Instructional staff services	93,585	0	0	93,585
Administration services	619,911	8,271	56,959	685,141
Operation and maintenance of plant services	388,063	41,175	31,271	460,509
Transportation services	277,988	0	47,771	325,759
	1,424,948	49,446	136,001	1,610,395
Other expenditures:				
Facilities acquisitions	0	1,482,292	0	1,482,292
Long-term debt:				
Principal	0	0	63,029	63,029
Interest and fiscal charges	0	0	2,548	2,548
AEA flowthrough	223,429	0	0	223,429
	223,429	1,482,292	65,577	1,771,298
Total expenditures	5,570,400	1,531,738	401,485	7,503,623
Excess(deficiency) of revenues over(under) expenditures	423,977	(846,912)	(3,214)	(426,149)
Other financing sources(uses):				
Issuance of bonds	0	6,995,000	0	6,995,000
Costs of issuance	0	(18,275)	0	(18,275)
Discount on issuance of bonds	0	(37,084)	0	(37,084)
Accrued interest on bonds	0	0	1,216	1,216
Transfer in	0	1,389,938	222,877	1,612,815
Transfer out	0	(1,547,438)	(65,377)	(1,612,815)
Total other financing sources(uses)	0	6,782,141	158,716	6,940,857
Net change in fund balances	423,977	5,935,229	155,502	6,514,708
Fund balance beginning of year	355,976	603,504	370,313	1,329,793
Fund balance end of year	\$ 779,953	6,538,733	525,815	7,844,501

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 6,514,708

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of capital assets in the year are as follows:

Capital outlays	\$ 1,624,430	
Depreciation expense	(139,464)	
Loss on disposal of capital assets	(50,889)	1,434,077

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due.

In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (128,359)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments and issuances are as follows:

Issued	\$ (6,995,000)	
Repaid	63,029	(6,931,971)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

(40,238)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement		37,837

Changes in net assets of governmental activities (page 14) \$ 886,054

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	Child Care	Total
ASSETS			
Cash and cash equivalents	\$ 91,174	0	91,174
Due from other governments	0	2,280	2,280
Inventories	1,422	0	1,422
Capital assets, net of accumulated depreciation(Note 6)	47,828	0	47,828
TOTAL ASSETS	140,424	2,280	142,704
LIABILITIES			
Excess warrants issued over bank balances	0	2,584	2,584
Accounts payable	0	193	193
Unearned revenue	2,944	0	2,944
TOTAL LIABILITES	2,944	2,777	5,721
NET ASSETS			
Invested in capital assets	47,828	0	47,828
Unrestricted	89,652	(497)	89,155
TOTAL NET ASSETS	\$ 137,480	(497)	136,983

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	School Nutrition	Child Care	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Charges for service	\$ 123,835	11,536	135,371
OPERATING EXPENSES:			
Support services:			
Administration services:			
Other	21	0	21
Operation and maintenance of plant services:			
Services	2,450	0	2,450
	2,471	0	2,471
Non-instructional programs:			
Food service operations:			
Salaries	57,882	11,744	69,626
Benefits	8,015	1,453	9,468
Supplies	135,741	1,544	137,285
Other	1,935	0	1,935
Depreciation	4,339	0	4,339
	207,912	14,741	222,653
TOTAL OPERATING EXPENSES	210,383	14,741	225,124
OPERATING LOSS	(86,548)	(3,205)	(89,753)
NON-OPERATING REVENUES:			
State sources	3,236	0	3,236
Federal sources	98,318	2,708	101,026
TOTAL NON-OPERATING REVENUES	101,554	2,708	104,262
Change in net assets	15,006	(497)	14,509
Net assets at beginning of year	122,474	0	122,474
Net assets end of year	\$ 137,480	(497)	136,983

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 123,200	11,536	134,736
Cash received from miscellaneous operating activities	56	0	56
Cash payments to employees for services	(66,255)	(13,197)	(79,452)
Cash payments to suppliers for goods or services	(130,787)	(1,351)	(132,138)
Net cash used in operating activities	(73,786)	(3,012)	(76,798)
Cash flows from non-capital financing activities:			
State grants received	3,236	0	3,236
Federal grants received	88,714	428	89,142
Net cash provided by non-capital financing activities	91,950	428	92,378
Cash flows from capital financing activities:			
Acquisition of capital assets	(589)	0	(589)
Net increase(decrease) in cash and cash equivalents	17,575	(2,584)	14,991
Cash and cash equivalents at beginning of year	73,599	0	73,599
Cash and cash equivalents at end of year	\$ 91,174	(2,584)	88,590
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (86,548)	(3,205)	(89,753)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	9,604	0	9,604
Depreciation	4,339	0	4,339
Increase in inventories	(184)	0	(184)
Increase(decrease) in accounts payable	(60)	193	133
Decrease in salaries and benefits payable	(358)	0	(358)
Decrease in unearned revenue	(579)	0	(579)
Net cash used in operating activities	\$ (73,786)	(3,012)	(76,798)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 91,174	(2,584)	88,590

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$9,604.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

		Private Purpose Trust Scholarships
ASSETS		
Cash and pooled investments	\$	475,046
Accounts receivable		2,510
TOTAL ASSETS		477,556
LIABILITIES		
Interfund payable		6,000
NET ASSETS		
Reserved for scholarships	\$	471,556

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Scholarships</u>
Additions:	
Local sources:	
Interest income	<u>\$ 17,267</u>
Deductions:	
Non-instructional programs:	
Scholarship awarded	<u>26,669</u>
Change in net assets	(9,402)
Net assets beginning of year	<u>480,958</u>
Net assets end of year	<u><u>\$ 471,556</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The A-H-S-T Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Avoca, Iowa, and the predominate agricultural territory in Shelby, Harrison, and Pottawattmie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, A-H-S-T Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The A-H-S-T Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Shelby, Harrison, and Pottawattmie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care

Fund is used to account for the day care service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the other expenditures function exceeded the amounts budgeted. Also during the year ended June 30, 2008, total expenditures exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 1,547,473

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Bonds and Certificates of Deposit are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Bonds are stated at fair value. Bonds traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2008, the District had investments in U.S. Treasury Bonds as follows:

	Fair Value
U.S. Treasury Bond	\$ 15,000

At June 30, 2008, the District had investments in Certificates of Deposit with a maturity over one year as follows:

	Fair Value
Certificate of Deposit	\$ 190,721

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue, Physical Plant and Equipment Levy	General	\$ 63,029
General	Private Purpose Trust	6,000
Total		<u>\$ 69,029</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 65,377
Debt Service	Capital Projects	157,500
Construction Capital Projects Fund	Capital Projects	<u>1,389,938</u>
Total		<u>\$ 1,612,815</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 719,819	273	714,000	210

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	300,000	300,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 150,113	0	0	150,113
Construction in progress	630,972	1,063,975	311,554	1,383,393
Total capital assets not being depreciated	781,085	1,063,975	311,554	1,533,506
Capital assets being depreciated:				
Buildings	2,540,859	182,625	8,555	2,714,929
Land improvements	221,203	550,311	44,721	726,793
Machinery and equipment	1,608,942	139,073	146,229	1,601,786
Total capital assets being depreciated	4,371,004	872,009	199,505	5,043,508
Less accumulated depreciation for:				
Buildings	1,771,033	44,557	8,555	1,807,035
Land improvements	217,877	9,502	44,721	182,658
Machinery and equipment	1,209,086	85,405	95,340	1,199,151
Total accumulated depreciation	3,197,996	139,464	148,616	3,188,844
Total capital assets being depreciated, net	1,173,008	732,545	50,889	1,854,664
Governmental activities capital assets, net	\$ 1,954,093	732,545	50,889	3,388,170

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 207,571	589	0	208,160
Less accumulated depreciation	155,993	4,339	0	160,332
Business-type activities capital assets, net	<u>\$ 51,578</u>	<u>(3,750)</u>	<u>0</u>	<u>47,828</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 20,564
Other	1,568

Support services:

Administration services	674
Operation and maintenance of plant services	1,952
Transportation	56,437

Unallocated depreciation	<u>81,195</u>
	<u>58,269</u>

Total governmental activities depreciation expense	<u>\$ 139,464</u>
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Business-type activities:

Food services	<u>\$ 4,339</u>
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(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 0	5,420,000	0	5,420,000	80,000
Revenue bonds	0	1,575,000	0	1,575,000	0
Bus loan payable	63,029	0	63,029	0	0
Early retirement	116,930	910	38,747	79,093	24,793
Total	<u>\$ 179,959</u>	<u>6,995,910</u>	<u>101,776</u>	<u>7,074,093</u>	<u>104,793</u>

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue December 3, 2007		
		Principal	Interest	Total
2009	4.00	% \$ 80,000	328,406	408,406
2010	4.00	205,000	215,738	420,738
2011	4.00	210,000	207,537	417,537
2012	4.00	220,000	199,138	419,138
2013	4.00	230,000	190,337	420,337
2014-2018	4.00	1,305,000	805,688	2,110,688
2019-2023	4.00-4.05	1,610,000	521,288	2,131,288
2024-2027	4.10-4.15	1,560,000	164,704	1,724,704
Total		\$ 5,420,000	2,632,836	8,052,836

Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue June 27, 2008		
		Principal	Interest	Total
2009	3.50	% \$ 0	29,665	29,665
2010	3.50	285,000	53,053	338,053
2011	3.50	295,000	42,902	337,902
2012	3.50	305,000	32,403	337,403
2013	3.70	320,000	21,145	341,145
2014-2018	3.90-4.30	315,000	40,362	355,362
2019	4.40	55,000	1,210	56,210
Total		\$ 1,575,000	220,740	1,795,740

The District has pledged future local option sales and services tax revenues to repay the \$1,575,000 bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 62.15% of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,795,740. For the current year, no principal and interest was paid on the bonds and local option sales and services tax revenues were \$465,260.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-seven and must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a specified amount based on the age during the year of retirement. Early retirement benefits paid during the year ended June 30, 2008, totaled \$38,747.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$181,675, \$169,336 and \$164,747, respectively, equal to the required contributions for each year.

(9) Risk Management

A-H-S-T Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$223,429 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The Enterprise - Child Care Fund had deficit unrestricted net assets of \$497.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the other expenditures function exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted during the year ended June 30, 2008.

(13) Construction Commitment

The District has entered into contracts totaling \$7,210,821 for construction on the elementary school addition. As of June 30, 2008, costs of \$1,383,393 had been incurred against the contracts. The balance of \$5,827,428 remaining at June 30, 2008 will be paid as work on the project progresses.

(14) Contingencies

As of June 30, 2008, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,519,260	135,371	3,654,631	3,312,534	3,312,534	342,097
Intermediate sources	106,027	0	106,027	0	0	106,027
State sources	3,285,084	3,236	3,288,320	3,302,341	3,302,341	(14,021)
Federal sources	167,103	101,026	268,129	287,000	287,000	(18,871)
Total revenues	7,077,474	239,633	7,317,107	6,901,875	6,901,875	415,232
Expenditures:						
Instruction	4,121,930	0	4,121,930	4,149,779	4,149,779	27,849
Support services	1,610,395	2,471	1,612,866	1,683,500	1,683,500	70,634
Non-instructional programs	0	222,653	222,653	328,967	328,967	106,314
Other expenditures	1,771,298	0	1,771,298	1,405,737	1,405,737	(365,561)
Total expenditures	7,503,623	225,124	7,728,747	7,567,983	7,567,983	(160,764)
Excess(deficiency) of revenues over(under) expenditures	(426,149)	14,509	(411,640)	(666,108)	(666,108)	254,468
Other financing sources, net	6,940,857	0	6,940,857	0	0	6,940,857
Excess(deficiency) of revenues and other financing sources over(under) expenditures	6,514,708	14,509	6,529,217	(666,108)	(666,108)	7,195,325
Balance beginning of year	1,329,793	122,474	1,452,267	952,147	952,147	500,120
Balance end of year	\$ 7,844,501	136,983	7,981,484	286,039	286,039	7,695,445

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the other expenditures function exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

OTHER SUPPLEMENTARY INFORMATION

A-H-S-T COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 176,954	46,447	77,818	301,219	158,654	459,873
Receivables:						
Property tax:						
Current year delinquent	2,062	0	783	2,845	0	2,845
Succeeding year	175,000	0	67,045	242,045	429,590	671,635
Interfund	0	0	63,029	63,029	0	63,029
Accounts	0	1,250	0	1,250	0	1,250
TOTAL ASSETS	\$ 354,016	47,697	208,675	610,388	588,244	1,198,632
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,082	0	0	1,082	100	1,182
Deferred revenue:						
Succeeding year property tax	175,000	0	67,045	242,045	429,590	671,635
Total liabilities	176,082	0	67,045	243,127	429,690	672,817
Fund balances:						
Reserved:						
Debt service	0	0	0	0	158,554	158,554
Unreserved	177,934	47,697	141,630	367,261	0	367,261
Total fund balances	177,934	47,697	141,630	367,261	158,554	525,815
TOTAL LIABILITIES AND FUND BALANCES	\$ 354,016	47,697	208,675	610,388	588,244	1,198,632

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds				Total	
	Manage-	Student	Physical		Debt	Other
	ment	Activity	Plant and		Service	Nonmajor
	Levy		Equipment	Total		Governmental
			Levy			Funds
REVENUES:						
Local sources:						
Local tax:	\$ 149,756	0	58,525	208,281	0	208,281
Other	10,387	179,115	450	189,952	38	189,990
TOTAL REVENUES	160,143	179,115	58,975	398,233	38	398,271
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	26,171	0	0	26,171	0	26,171
Other instruction	0	173,736	0	173,736	0	173,736
Support services:						
Administration services	56,959	0	0	56,959	0	56,959
Operation and maintenance of plant services	31,271	0	0	31,271	0	31,271
Transportation services	8,669	0	39,102	47,771	0	47,771
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	63,029	63,029
Interest and fiscal charges	0	0	0	0	2,548	2,548
	0	0	0	0	65,577	65,577
TOTAL EXPENDITURES	123,070	173,736	39,102	335,908	65,577	401,485
Excess(deficiency) of revenues over(under) expenditures	37,073	5,379	19,873	62,325	(65,539)	(3,214)
Other financing sources(uses):						
Accrued interest on bonds	0	0	0	0	1,216	1,216
Transfer in	0	0	0	0	222,877	222,877
Transfer out	0	0	(65,377)	(65,377)	0	(65,377)
Total other financing sources(uses)	0	0	(65,377)	(65,377)	224,093	158,716
Net change in fund balances	37,073	5,379	(45,504)	(3,052)	158,554	155,502
Fund balance beginning of year	140,861	42,318	187,134	370,313	0	370,313
Fund balance end of year	\$ 177,934	47,697	141,630	367,261	158,554	525,815

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drill team	\$ 51	0	0	51
Show choir	674	2,272	815	2,131
Musical	1,495	0	1,544	(49)
Drama	0	1,759	0	1,759
General athletics	3,988	15,671	22,320	(2,661)
Boys basketball	0	14,476	12,754	1,722
Wrestling	430	4,163	4,915	(322)
Track/CC	651	2,575	4,606	(1,380)
Golf	0	248	901	(653)
Football	4,994	42,223	32,174	15,043
Baseball	2,768	10,270	9,428	3,610
Girls basketball	1,576	1,548	1,776	1,348
Volleyball	455	6,942	7,948	(551)
Softball	431	7,471	5,547	2,355
Class of 07	652	37	567	122
Class of 08	1,513	359	4,392	(2,520)
Class of 09	0	8,697	3,202	5,495
Class of 10	0	10	0	10
Start up cash paid out	0	1,550	1,500	50
Annuals	0	3,625	5,408	(1,783)
H.S. Faculty	198	0	0	198
Cheerleaders-fb	2,945	691	4,904	(1,268)
Vocal	0	163	186	(23)
FCCLA	1,500	17,746	18,731	515
National honor society	475	1,174	1,469	180
Cheerleaders-BB	2,987	9,514	4,826	7,675
Cheerleaders-wrestling	450	0	25	425
Elementary activity	4,565	10,077	9,360	5,282
Concessions	1,583	5,296	4,279	2,600
Talent show	75	0	0	75
Trips	0	1,270	1,270	0
H.S. student activities	7,862	9,288	8,889	8,261
Total	\$ 42,318	179,115	173,736	47,697

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2008

	Capital Projects	Construction Capital Projects Fund	Total Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 517,948	6,065,148	6,583,096
Receivables:			
Accounts	8,535	0	8,535
Due from other governments	111,348	0	111,348
TOTAL ASSETS	\$ 637,831	6,065,148	6,702,979
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 43,270	120,976	164,246
Fund balances:			
Unreserved:			
Capital projects	594,561	5,944,172	6,538,733
Total fund balances	594,561	5,944,172	6,538,733
TOTAL LIABILITIES AND FUND BALANCES	\$ 637,831	6,065,148	6,702,979

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2008

	Capital Projects	Construction Capital Projects Fund	Total Capital Projects Funds
REVENUES:			
Local sources:			
LOSST	\$ 465,260	0	465,260
Other	82,052	137,514	219,566
TOTAL REVENUES	547,312	137,514	684,826
EXPENDITURES:			
Current:			
Support services:			
Administration	0	8,271	8,271
Operation and maintainance of plant services	41,175	0	41,175
	41,175	8,271	49,446
Other expenditures:			
Facilities acquisitions	521,830	960,462	1,482,292
TOTAL EXPENDITURES	563,005	968,733	1,531,738
Deficiency of revenues under expenditures	(15,693)	(831,219)	(846,912)
Other financing sources(uses):			
Issuance of bonds	1,575,000	5,420,000	6,995,000
Costs of issuance	(9,000)	(9,275)	(18,275)
Discount on issuance of bonds	(11,812)	(25,272)	(37,084)
Transfer in	0	1,389,938	1,389,938
Transfer out	(1,547,438)	0	(1,547,438)
Total other financing sources(uses)	6,750	6,775,391	6,782,141
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(8,943)	5,944,172	5,935,229
Fund balance beginning of year	603,504	0	603,504
Fund balance end of year	\$ 594,561	5,944,172	6,538,733

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 JUNE 30, 2008

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 25,227	257,289	176,894	15,636	475,046
Accounts receivable	0	2,510	0	0	2,510
TOTAL ASSETS	25,227	259,799	176,894	15,636	477,556
LIABILITIES					
Interfund payable	0	0	6,000	0	6,000
NET ASSETS					
Reserved for scholarships	\$ 25,227	259,799	170,894	15,636	471,556

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE-PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2008

	Sievers Scholarship	Rock Scholarship	Peterson Scholarship	Koos Scholarship	Total
ADDITIONS:					
Local sources:					
Interest income	\$ 1,762	13,858	242	1,405	17,267
DEDUCTIONS:					
Non-instructional programs:					
Scholarship awarded	1,900	16,000	8,000	769	26,669
Changes in net assets	(138)	(2,142)	(7,758)	636	(9,402)
Net assets beginning of year	25,365	261,941	178,652	15,000	480,958
Net assets end of year	\$ 25,227	259,799	170,894	15,636	471,556

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

A-H-S-T COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

Modified Accrual Basis					
Years Ended June 30,					
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,828,866	2,611,869	2,440,846	2,312,212	2,461,106
Tuition	141,541	100,379	203,872	84,692	83,747
Other	548,853	264,582	363,391	236,359	230,003
Intermediate sources	106,027	87,490	59,357	0	0
State sources	3,285,084	3,171,235	3,028,117	2,862,093	2,708,583
Federal sources	167,103	149,123	174,196	234,908	133,895
Total	<u>\$ 7,077,474</u>	<u>6,384,678</u>	<u>6,269,779</u>	<u>5,730,264</u>	<u>5,617,334</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 2,764,700	2,777,279	2,891,637	2,746,076	2,282,332
Special instruction	579,189	639,589	613,855	864,153	781,836
Other instruction	778,041	647,404	687,457	441,090	513,802
Support services:					
Student services	45,401	46,592	45,617	124,686	140,717
Instructional staff services	93,585	92,229	82,881	96,833	126,586
Administration services	685,141	575,076	586,907	560,376	585,361
Operation and maintenance of plant services	460,509	460,189	597,196	418,645	334,336
Transportation services	325,759	355,980	261,447	194,346	266,829
Non-instructional:					
Community service operations	0	0	154	0	0
Other expenditures:					
Facilities acquisitions	1,482,292	424,711	545,686	128,925	219,353
Long-term debt:					
Principal	63,029	0	0	0	0
Interest and fiscal charges	2,548	0	0	0	0
AEA flow-through	223,429	212,553	195,320	184,761	186,724
Total	<u>\$ 7,503,623</u>	<u>6,231,602</u>	<u>6,508,157</u>	<u>5,759,891</u>	<u>5,437,876</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
A-H-S-T Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of A-H-S-T Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered A-H-S-T Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of A-H-S-T Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects A-H-S-T Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of A-H-S-T Community School District's financial statements that is more than inconsequential will not be prevented or detected by A-H-S-T Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by A-H-S-T Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

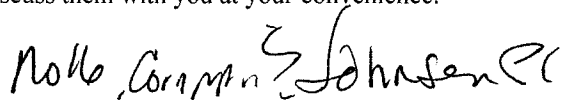
As part of obtaining reasonable assurance about whether A-H-S-T Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

A-H-S-T Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit A-H-S-T Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of A-H-S-T Community School District and other parties to whom A-H-S-T Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of A-H-S-T Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We agree with your recommendation to segregate as many duties as possible. We put in place this 2008-09 year that the gate money is not handled by one person, ticket takers count their gate and a receipt form is completed and signed by the assigned ticket takers.

Conclusion - Response accepted.

I-B-08 Student Activity Funds - During our audit concerns arose about certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of areas of concern are the following:

The High School Faculty account appears to be intended for use by teachers for break room beverages. These accounts do not appear to be extracurricular or cocurricular in nature. The accounts used by the teachers may be more appropriate in the General Fund.

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target donations are intended for instructional supplies. The most logical place to record the revenue and subsequent purchase of instructional supplies

would be the General Fund. Future donations from Target should be recorded in the General Fund for use as determined by the District's Board of Directors.

There is a Class of 2007 account. Upon graduation old class accounts should be redistributed to other accounts within the Student Activity Fund or used as starting cash for future class accounts.

Response - We agree with your recommendation on the purpose of the Student Activity Fund and the placement of donations. We will correct immediately.

Conclusion - Response accepted.

I-C-08 Gate Admissions - It was noted that the District utilizes pre-numbered tickets for event admissions and a reconciliation is performed after the event. However, through discussion with personnel, it was discovered that tickets are torn off the roll after the event so that the number of tickets sold will match the money received. This procedure significantly impacts the intended controls of using the pre-numbered tickets.

Recommendation - The internal control of the District utilizing pre-numbered tickets is deteriorated by tearing off the number needed to reconcile to the cash collected. The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.

j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We have begun tearing off the ticket as each ticket sale occurs for reconciliation purposes. We have two ticket takers at each gate to help tear tickets and reconcile at the end of the sale of tickets each evening. The high school principal has been assigned to deposit gate money at the bank or lock it in the school vault.

Conclusion - Response accepted.

I-D-08 Receipting Process - During the audit, it was noted in the Activity Fund that sponsors drop off money to be counted and receipted with no supporting documentation or reconciliation sheets as to where the money came from. The sponsors should keep documentation of the individuals they received money from and turn this documentation into the office when they turn the money in.

Recommendation - The District should review its receipting process. When sponsors or fundraising chairpersons submit money to the office for previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts. The District should take necessary steps to require all sponsors to turn in collected money on a daily basis with a detailed receipts or another form of detailed documentation. This detailed documentation should at a minimum include the individual that the sponsor received the money from, the purpose, the fund/organization/club that needs to be credited, the date and amount.

Response - After the audit, our school district enacted a form to be used for Student Activity Fund fundraising and other collections from students. We use the form and the money collected as an in-office audit record for our office workers.

Conclusion - Response accepted.

I-E-08 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - Our Nutrition Department agrees with your recommendation and will use the correct price values in calculating the inventory value at the end of the year.

Conclusion - Response accepted.

A-H-S-T COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the other expenditures function. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will try to monitor the certified budget so we do not exceed the 2008-09 budget.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted two disbursements for travel that were not approved by a supervisor before payment was rendered.

Recommendation - The District's travel policy states that the superintendent must approve travel for employees. The District should follow their policy and require approval before expenses are reimbursed.

Response - We are working to have the superintendent approve all travel reimbursements before payment is rendered.

Conclusion - Response accepted.

- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - During our audit, we noted the Enterprise - Child Care Fund had deficit unrestricted net assets of \$497. We also noted during our audit ten deficit account balances in the Special Revenue, Student Activity Fund totaling \$11,210.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - It is difficult to monitor the Enterprise - Child Care Fund and keep it out of the deficit, but we will try to watch this fund and the Student Activity Fund more carefully.

Conclusion - Response accepted.